

Message Text

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ACTION AID-59

INFO OCT-01 EA-11 ADP-00 IGA-02 EB-11 L-03 INR-09 CIAE-00

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FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 2950

C O N F I D E N T I A L VIENTIANE 1754

JOINT EMBASSY/ USAID MESSAGE

E. O. 11652: GDS

TAGS: EAID, LA

SUBJECT: FEOF CONTRIBUTION

REF: (A) VIENTIANE 1716

(B) VIENTIANE 1728

(C) VIENTIANE 1729

(D) VIENTIANE 1679

(E) VIENTIANE 1546

(F) VIENTIANE 90

(G) TOAID A-52

BEGIN SUMMARY. FOLLOWING ARE OUR COMMENTS AND RECOMMENDATIONS ON LETTERS SENT BY PRIMIN TO U. S. AND JAPANESE AMBASSADORS AND FRENCH CHARGE REQUESTING INCREASES IN CY 1973 CONTRIBUTIONS TO FEOF. END SUMMARY.

1. DISPATCH OF LETTERS AT THIS TIME WHICH FOLLOW UP ON SIMILAR LETTERS SENT BY MINFIN ON DEC 28 TO ALL DONORS TAKES ACCOUNT OF EVENTS WHICH HAVE OCCURRED SINCE, I. E. DOLLAR DEVALUATION AND OTHER CURRENCY ADJUSTMENTS, AND SIGNING OF CEASE FIRE AGREEMENT. LETTERS ALSO REFLECT RECOMMENDATIONS MADE BY IMF MISSION LAST NOVEMBER THAT BOTH RLG AND DONORS SHOULD MAKE AN ADDITIONAL EFFORT TO IMPLEMENT A STABILIZATION PROGRAM IN 1973, AND FOLLOW ADVICE OF USAID DIR TO MINFIN THAT ANY NEW RLG APPROACH LIMITED TO THE U. S. WOULD BE INAPPROPRIATE. FINALLY FACT THAT THESE LETTERS ARE
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SIGNED BY PRIMIN UNDERSCORES THE POLITICAL ASPECTS OF AN INCREASED DONOR CONTRIBUTION IN TERMS OF SUPPORT TO THE SOUVANNA GOVERNMENT AS WELL AS PRIMIN DESIRE TO SEE GENERAL PLEDGES OF ECONOMIC SUPPORT TO LAOS, EXPRESSED BY FRENCH AND JAPANESE GOVERNMENTS ON THE OCCASION OF THE CEASEFIRE, TRANSLATED INTO SPECIFIC ACTIONS.

2. RATIONALE IN SUPPORT OF REQUESTS DIFFERS BY COUNTRY AND APPEARS TO REFLECT AN EFFORT TO MAKE THE MOST PERSUASIVE ARGUMENTS IN EACH CASE. THUS LETTER TO THE U. S. EMPHASIZES THE FIGHT AGAINST INFLATION AND EXPRESSES HOPE THAT BUDGET PERFORMANCE CAN BE IMPROVED. REQUEST TO JAPANESE GOVERNMENT MENTIONS GROWING NEEDS OF DEVELOPMENT BUT ALSO EXPRESSES HOPE THAT STERILIZATION PERCENTAGES SHOULD BE RAISED TO 70 PERCENT. DETERMINATION PERCENTAGE FROM THEIR 71 CONTRIBUTION IN 1972 WAS 41.6 PERCENT. LETTER TO FRENCH POINTS TO EFFECT OF CURRENCY REALIGNMENTS AS WELL AS BUDGETARY REQUIREMENTS FOR RECONSTRUCTION.

3. WE HAVE REPORTED IN REFS D AND E FRENCH AND JAPANESE REACTIONS HERE TO PRIMIN REQUESTS AND ARE AWAITING RESPONSES FROM THEIR CAPITALS. USE OF PORTION OF FRENCH COUNTERPART FOR BUDGET SUPPORT WOULD CLEARLY INVOLVE A MAJOR DEPARTURE IN CONCEPT OF FRENCH CONTRIBUTION AND ALTHOUGH MOST DESIRABLE IN ALIGNING FRENCH PARTICIPATION IN FEOF TO THAT OF OTHER DONORS IT SEEMS HIGHLY DOUBTFUL WHETHER IT WILL BE POSSIBLE TO ACHIEVE THIS AT THIS TIME.

4. NEED TO SIGN AGREEMENTS ASAP ALSO LIKELY TO MILITATE AGAINST SIGNIFICANT INCREASES AND MODIFICATIONS IN OTHER DONORS' CONTRIBUTIONS AT THIS TIME. WE WOULD CERTAINLY HOPE THAT AT LEAST U. K., FRANCE, AND RLG BESIDES U. S. WOULD SIGN AGREEMENTS NEXT WEEK. HOWEVER WE INTEND TO PROPOSE THAT QUESTION OF AN INCREASE IN DONOR CONTRIBUTIONS LATER THIS YEAR SHOULD BE KEPT UNDER REVIEW IN THE LIGHT OF:

- A. RLG FISCAL PERFORMANCE AND ADDITIONAL MEASURES IT IS PREPARED TO TAKE TO STRENGTHEN THIS PERFORMANCE AND
- B. GENERAL ECONOMIC DEVELOPMENTS AND NEED FOR GREATER FEOF SUPPORT.

5. AS FAR AS US RESPONSE TO RLG REQUEST IS CONCERNED COURSE OF ACTION OUTLINED IN REF F PARA 9 IS STILL VALID.
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THUS WE WOULD INDICATE THAT WHILE WE SEE NO POSSIBILITY OF

INCREASING EFFECTIVE US CONTRIBUTION TO FEOF AT THIS TIME
WE WILL KEEP SITUATION UNDER REVIEW IN LIGHT OF OTHER
DONORS' CONTRIBUTIONS AND ADDITIONAL FISCAL MEASURES RLG IS
PREPARED TO TAKE. IF IT IS EVIDENT AN ADDITIONAL EFFORT IS
BEING MADE BY OTHER DONORS AND RLG TO CONTRIBUTE TO THE
IMPLEMENTATION OF AN EFFECTIVE STABILIZATION PROGRAM WE
ARE PREPARED TO GIVE SERIOUS CONSIDERATION TO CONTRIBUTING
FURTHER TO THIS EFFORT SHOULD THE SITUATION REQUIRE IT.

6. SINCE RLG REQUEST TO US FOR INCREASED STERILIZATION KIP
PROCEEDS OF OUR FEOF CONTRIBUTION MIGHT WELL BE TAKEN UP BY
SOUVANNA DURING ADMINISTRATOR' S VISIT, WOULD APPRECIATE
YOUR COMMENTS ASAP.
GODLEY

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